Reasons for disinvestment of IA and AI

2274. SHRI C.M. IBRAHIM: Will the Minister of DISINVESTMENT be pleased to state:

(a) whether it has been decided to go ahead with disinvestment in respect of Indian Airlines and Air India;

(b) if so, the details of the disinvestment scheme;

(c) whether it is estimated to result in a loss of Rs. 250 crores; and

(d) if so, the details in this regard and the reasons prompting the disinvestment?

THE MINISTER OF STATE OF THE DEPARTMENT OF DISINVESTMENT (SHRI ARUN SHOURIE): (a) Yes, Sir.

(b) The details of the disinvestment plan in respect of Air India and Indian Airlines are as under:

Air India

(i) Govt. equity to be brought down to 40% through disinvestment process.

(ii) 40% of the equity to be disinvested in favour of a Strategic Partner(SP).

(iii) Up to 10% of the equity to be offered to employees.

(iv) The balance (10%) of equity to be sold to financial institutions and/or on the share market.

(v) Foreign holding to be limited to a maximum of 26% of total equity if the SP is a Joint Venture with foreign holding.

Indian Airlines

(i) Government equity to be brought down to 49%.

(ii) 26% equity to be sold to a Strategic Partner (SP).

(iii) 25% equity to be sold to financial institutions, employees and other investors.

(iv) Foreign holding not to exceed 40% equity of the bidders, except for NRIs/NRIs controlled OCBs, if the SP is a Joint Venture with foreign holding.

(c) No, Sir.

(d) Does not arise in view of reply to (c) above.

Improving the functioning of ailing PSUs before disinvestment

2275. SHRIMATI VANGA GEETHA: Will the Minister of DISINVESTMENT be pleased to state:

(a) whether Government are helping ailing Public Sector Undertakings which are in the red to improve their functioning before their being disinvested;

(b) the number of PSUs which fall in this category; and

(c) the PSUs proposed to be disinvested during the current year alongwith their names?

THE MINISTER OF STATE OF THE DEPARTMENT OF DISINVESTMENT (SHRI ARUN SHOURIE): (a) to (c) The decision to disinvest Government equity in any PSUs is taken after considering various aspects including performance of the Company, and in accordance with declared policy of the Government. Wherever it is considered that a financial restructuring prior to disinvestment is advisable, it is carried out as a prelude to disinvestment. Similarly, either on the recommendations of the Disinvestment Commission or on the basis of assessment within the Government, if it is considered that the PSU concerned should be allowed sufficient time to improve its performance, prior to disinvestment, action is taken accordingly.

As regards financial restructuring of the PSUs and efforts to improve their financial performance, Government keeps considering such proposals from time to time. For example, PSUs in which restructuring decisions have already been taken include Central Electronics Ltd., Sponge Iron India Ltd., Steel Authority of India Ltd., etc. Similarly in some other PSUs, especially sick companies, restructuring might be needed before disinvestment.

The process of disinvestment is currently in progress in the following PSUs:—

Air India, CMC Ltd., Hindustan Copper Ltd., (Phase I), Hindustan Organic Chemicals Ltd., Hindustan Zinc Ltd., Indian Airlines, IBP Ltd., Indian Petrochemicals Corpn. Ltd., and properties of India Tourism Development Corpn. Ltd., Madras Fertilizers Ltd., Minerals and Metals Trading Corporation Ltd., National Fertilizers Ltd., Paradeep Phosphates Ltd., Sponge Iron India Ltd.,